

Message Text

LIMITED OFFICIAL USE

PAGE 01 BANGKO 16008 121334Z

45

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-15 EB-11 COME-00 FAA-00 XMB-07

TRSE-00 AID-20 IGA-02 OMB-01 OPIC-12 DRC-01 (ISO) W

----- 088494

R 121209Z OCT 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 7370

LIMITED OFFICIAL USE BANGKOK 16008

E.O. 11652: N/A

TAGS: EAID, EGEN

SUBJECT: NORTHROP AND SECOND INTERNATIONAL AIRPORT

REF: A) BANGKOK 15427; B) BANGKOK 14817

1. NORTHROP AIRPORT DEVELOPMENT CORPORATION OFFICIALS CALLED ON DCM OCTOBER 11 TO PRESENT CURRENT STATUS REPORT ON THE NOW PROLONGED NEGOTIATIONS THEY HAVE BEEN CONDUCTING WITH RTG IN THAILAND AND, VIA NADC HOME OFFICE IN US, WITH EXIM BANK. THE MAJOR AND STILL UNRESOLVED ISSUE IS HOW TO PROVIDE SECURITY FOR EXIM BANGK LOAN AND FOR OTHER BANK LOANS AS WELL, IN EVENT NORTHROP DEFAULTS UNDER CONDITIONS SET FORTH IN CONTRACT. LORD OF NADC CONTENDS HE HAS RECEIVED PRELIMINARY COMMITMENTS FOR \$145 MILLION IN LOANS, WHICH HE REGARDS AS MORE THAN ADEQUATE TO MEET ALL OBLIGATIONS FOR AIRPORT PROJECT WHICH CURRENTLY ESTIMATED TO COST \$105 MILLION.

2. MAJOR AND SIGNIFICANT ASPECT OF ORAL REPORT, IN EMBASSY VIEW, IS STATEMENT THAT MINISTER OF COMMUNICATIONS PONGSE WILLING TO ASK CABINET TO APPROVE FORMULA FOR REPAYMENT OF LOANS OUT OF AIRPORT OPERATING INCOME IN EVENT OF DEFAULT BY NORTHROP UNDER CONTRACT. ACCORDING TO LORD, RTG NEGOTIATIONS AT FIRST ADAMANT ON POINT OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BANGKO 16008 121334Z

NO GUARANTEE, EVENTUALLY ACCEPTED 25 TO 75 PERCENT FORMULA, I.E.,

25 PERCENT OF OPERATING INCOME TO RETIRE DEBT AND 75 PERCENT FOR OPERATING COSTS, BUT HAVE NOW AGREED TO INCREASE THIS PERCENTAGE TO 30 TO 70. HOWEVER, LORD INFORMED BY TELEPHONE OCTOBER 11 THAT EXIM BANK WISHES TO CANVASS OTHER POTENTIAL LENDERS OVER SEVERAL WEEK PERIOD BEFORE MAKING FINAL DECISION. NADC, IN MEANTIME, HAS BEEN GIVEN DEADLINE OF OCTOBER 22 BY NORTHROP HEADQUARTERS WITHIN WHICH TO SHOW THAT REMAINING ISSUE WILL BE RESOLVED SHORTLY OR ELSE END INVOLVEMENT IN PROJECT ON WHICH \$1.5 MILLION HAS ALREADY BEEN SPENT FOR WORK ON MASTER PLAN AND OTHER STARTING ACTIVITIES, ACCORDING TO LORD.

3. SUBSEQUENT TO LOR'S ORAL REPORT, ECON/CML COUNSELOR QUERIED MEMBER OF RTG NEGOTIATING COMMITTEE WHO CONFIRMED THAT HIS GROUP, WHICH REPORTS TO MINISTER OF COMMUNICATIONS WX SUPPORTED FORMULA OF COMMITTING A PERCENTAGE OF NET REVENUE TO DEBT REPAYMENT IN EVENT OF DEFAULT, BUT SAID NADC HAD NOT YET BEEN ABLE TO DEMONSTRATE EXIM BANK AGREEMENT AND THAT AS CONSEQUENCE NO MEETINGS HAD BEEN HELD FOR PAST TWO WEEKS. SAME SOURCE (REFTEL B) HAD EARLIER TAKEN CREDIT FOR SUGGESTING FORMULA FOR SET ASIDE OUT OF NEW REVENUE. BAILHE OF NADC SUBSEQUENTLY TOLD COUNSELOR THAT NADC HAD HELD PRIVATE MEETING WITH MIN OF COMMUNICATIONS AT WHICH LATTER EXPRESSED WILLINGNESS TO PRESENT 30 TO 70 FORMULA TO CABINET FOR APPROVAL.

4. AGAINST BACKGROUND OF RTG APPROACH TO SECOND AIRPORT, NAMELY, THAT GOVERNMENT NEITHER WOULD PROVIDE FINANCING NOR GIVE GUARANTEES TO PRIVATE INVESTORS IN EVENT OF DEFAULT, EMBASSY REGARDS REPORTED RTG ACCEPTANCE OF 30-70 FORMULA AS A MAJOR CONCESSION AND A SIGNIFICANT DEPARTURE FROM PREVIOUS UNYIELDING STAND. EMBASSY ALSO INTERPRETS THIS COOPERATIVE MOVE BY RTG AS AN EARNEST OF ITS DETERMINATION TO HAVE A SECOND AIRPORT AND OF ITS CONTINUED PREFERENCE FOR NADC AS THE BUILDER. AGAINST THESE DEVELOPMENTS, EMBASSY CONVINCED THAT US NATIONAL INTERESTS, INCLUDING SUBSTANTIAL EXPORT POSSIBILITIES OF WELL OVER \$20 MILLION, WOULD BE PROMOTED BY US IDENTIFICATION VIA AN AMERICAN COMPANY WITH THIS LARGE PROJECT. EMBASSY WOULD HOPE, THEREFORE, THAT EXIM BANK WOULD FIND THE 30-70 FORMULA AS A REASONABLE SOLUTION TO ITS LEGITIMATE QUEST FOR SECURITY FOR ITS LOAN, AND THAT IT COULD SO DECIDE EXPEDITIOUSLY AND IN TIME TO PERMIT THE CURRENT NEGOTIATIONS TO BE CONCLUDED BY NADC WITH RTG.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BANGKO 16008 121334Z

ACTION REQUESTED: DEPARTMENT SUPPORT AS APPROPRIATE TO SECURE FAVORABLE DECISION.

UNGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 12 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BANGKO16008
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731036/aaaabapc.tel
Line Count: 110
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) BANGKOK 15427; B) BANGKOK 14817
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 05 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05-Dec-2001 by smithrj>; APPROVED <22 FEB 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NORTHROP AND SECOND INTERNATIONAL AIRPORT
TAGS: EAID, EGEN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005